



# House of Representatives

General Assembly

**File No. 571**

February Session, 2022

House Bill No. 5405

*House of Representatives, April 21, 2022*

The Committee on Finance, Revenue and Bonding reported through REP. SCANLON of the 98th Dist., Chairperson of the Committee on the part of the House, that the bill ought to pass.

**AN ACT IMPLEMENTING THE TREASURER'S RECOMMENDATIONS  
CONCERNING THE INVESTMENT ADVISORY COUNCIL AND  
RELATED STATUTES.**

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 3-13a of the general statutes is repealed and the  
2 following is substituted in lieu thereof (*Effective from passage*):

3 (a) The Treasurer, with the advice and consent of the Investment  
4 Advisory Council, shall appoint a chief investment officer and may  
5 appoint a deputy chief investment officer, [and] principal investment  
6 officers, investment officers and other personnel to assist the chief  
7 investment officer, for the Connecticut retirement pension and trust  
8 funds, who shall serve at the pleasure of the Treasurer and whose  
9 compensation shall be determined by the Treasurer within salary ranges  
10 established by the Treasurer in consultation with the Investment  
11 Advisory Council. The provisions of section 4-40 shall not apply to the  
12 compensation of [said] such officers and personnel. The chief  
13 investment officer shall be sworn to the faithful discharge of duties

14 under law and shall, under the direction of the Treasurer and subject to  
15 the provisions of sections 3-13 to 3-13d, inclusive, and 3-31b, as  
16 amended by this act, advise the Treasurer on investing the trust funds  
17 of the state. [Said] The chief investment officer shall also perform such  
18 other duties as the Treasurer may direct. [In addition to said officers, the  
19 Treasurer may appoint investment officers and other personnel to assist  
20 said chief investment officer, which officers and other personnel shall  
21 serve at the pleasure of the Treasurer.]

22 (b) The Treasurer may retain professional investment counsel to  
23 evaluate and recommend to the Treasurer changes in the portfolio of the  
24 state's trust and other funds. [Said] Such counsel shall inform the  
25 Treasurer of suitable investment opportunities and shall investigate the  
26 investment merit of any security or group of securities.

27 (c) The cost of operating the investment department including the  
28 cost of personnel and professional investment counsel retained under  
29 sections 3-13 to 3-13d, inclusive, and 3-31b, as amended by this act, shall  
30 be paid by the Treasurer charging the income derived from the trust  
31 funds.

32 Sec. 2. Section 3-13b of the general statutes is repealed and the  
33 following is substituted in lieu thereof (*Effective from passage*):

34 (a) (1) There is created an Investment Advisory Council [which] that  
35 shall consist of the following:

36 [(1)] (A) The Secretary of the Office of Policy and Management who  
37 shall serve as an ex-officio member of said council; [(2) the State]

38 (B) The Treasurer who shall serve as an ex-officio member of said  
39 council; [(3) five]

40 (C) (i) Five public members all of whom shall be experienced in  
41 matters relating to investments. The Governor, the president pro  
42 tempore of the Senate, the Senate minority leader, the speaker of the  
43 House of Representatives and the minority leader of the House of  
44 Representatives shall each appoint one such public member to serve for

45 a term of four years. [No such public member or such member's business  
46 organization or affiliate shall directly or indirectly contract with or  
47 provide any services for the investment of trust funds of the state of  
48 Connecticut during the time of such member's service on said council  
49 and for one year thereafter. The term of each public member in office on  
50 June 30, 1983, shall end on July 1, 1983.] The appointing authority shall  
51 fill all vacancies of the public members. [; (4) three]

52 (ii) Such public members shall recuse themselves from discussions or  
53 votes related to any direct or indirect contract with such public member  
54 or such member's business organization or affiliate for the provision of  
55 any services for the investment of trust funds of the state;

56 (D) Three representatives of the teachers' unions, and two  
57 representatives of the state employees' unions. On or before July 15,  
58 1983, the teachers' unions shall jointly submit to the [State] Treasurer a  
59 list of three nominees, and the state employees' unions or a majority  
60 thereof who represent a majority of state employees shall jointly submit  
61 to the Treasurer a list of two nominees. On or before July 30, 1983, the  
62 Governor shall appoint five members of the council from such lists, for  
63 terms of two years. Any person appointed to fill a vacancy or to be a  
64 new member at the expiration of a given term, whose predecessor in  
65 that position was either a representative of one of the teachers' unions  
66 or one of the state employees' unions, shall also be a representative of  
67 such respective union group. Any such appointee shall be appointed by  
68 the Governor from a list of nominees submitted to the Treasurer by the  
69 teachers' unions or state employees' unions or such majority thereof, as  
70 the case may be, within thirty days of notification by the Treasurer of  
71 the existence of a vacancy or a prospective vacancy, or the expiration or  
72 prospective expiration of a term.

73 (2) All members of the council shall serve until their respective  
74 successors are appointed and have qualified. No public member of the  
75 council shall serve more than two consecutive terms. [which commence  
76 on or after July 1, 1983.]

77 (b) The Governor shall designate one of the members to be

78 chairperson of the council to serve as such at the Governor's pleasure.  
79 The Treasurer shall serve as secretary of said council. A majority of the  
80 members of the council then in office shall constitute a quorum for the  
81 transaction of any business, and action shall be by the vote of a majority  
82 of the members present at a meeting. Votes by members on investment  
83 policies shall be recorded in the minutes of each meeting. Members of  
84 said council shall not be compensated for their services but shall be  
85 reimbursed for all necessary expenses incurred in the performance of  
86 their duties as members of said council. The council shall meet at least  
87 once during each calendar quarter and at such other times as the  
88 chairperson deems necessary or upon the request of a majority of the  
89 members in office. Special meetings shall be held at the request of such  
90 majority after notice in accordance with the provisions of section 1-225.  
91 Any member who fails to attend three consecutive meetings or who fails  
92 to attend fifty per cent of all meetings held during any calendar year  
93 shall be deemed to have resigned from office.

94 (c) (1) The Treasurer shall recommend to the Investment Advisory  
95 Council an investment policy statement [which] that shall set forth the  
96 standards governing investment of trust funds by the Treasurer. Such  
97 statement shall include, with respect to each trust fund, without  
98 limitation, (A) investment objectives; (B) asset allocation policy and risk  
99 tolerance; (C) asset class definitions, including specific types of  
100 permissible investments within each asset class and any specific  
101 limitations or other considerations governing the investment of any  
102 funds; (D) investment manager guidelines; (E) investment performance  
103 evaluation guidelines; (F) guidelines for the selection and termination  
104 of providers of investment-related services who shall include, but not  
105 be limited to, investment advisors, external money managers,  
106 investment consultants, custodians, broker-dealers, legal counsel, and  
107 similar investment industry professionals; and (G) proxy voting  
108 guidelines. A draft of the statement shall be submitted to the Investment  
109 Advisory Council at a meeting of said council and shall be made  
110 available to the public. Notice of such availability shall be published in  
111 at least one newspaper having a general circulation in each municipality  
112 in the state which publication shall be not less than two weeks prior to

113 such meeting. Said council shall review the draft statement and shall  
114 publish any recommendations it may have for changes to such  
115 statement in the manner provided for publication of the statement by  
116 the Treasurer. The Treasurer shall thereafter adopt the statement,  
117 including any such changes the Treasurer deems appropriate, with the  
118 approval of a majority of the members appointed to said council. If a  
119 majority of the members appointed to said council fail to approve such  
120 statement, [said] such majority shall provide the reasons for its failure  
121 to approve to the Treasurer who may submit an amended proposed  
122 statement at a subsequent regular or special meeting of said council.  
123 Such revised proposed statement shall be made available to the public  
124 in accordance with the provisions of the Freedom of Information Act, as  
125 defined in section 1-200. Any revisions or additions to the investment  
126 policy statement shall be made in accordance with the procedures set  
127 forth in this subdivision for the adoption of the statement. The Treasurer  
128 shall annually review the investment policy statement and shall consult  
129 with the Investment Advisory Council regarding possible revisions to  
130 such statement.

131 (2) All trust fund investments by the [State] Treasurer shall be  
132 reviewed by [said] the Investment Advisory Council. The Treasurer  
133 shall provide to the council all information regarding such investments  
134 which the Treasurer deems relevant to the council's review and such  
135 other information as may be requested by the council. The Treasurer  
136 shall provide a report at each regularly scheduled meeting of the  
137 Investment Advisory Council as to the status of the trust funds and any  
138 significant changes [which] that may have occurred or [which] that may  
139 be pending with regard to the funds. The council shall promptly notify  
140 the Auditors of Public Accounts and the Comptroller of any  
141 unauthorized, illegal, irregular or unsafe handling or expenditure of  
142 trust funds or breakdowns in the safekeeping of trust funds or  
143 contemplated action to do the same within [their] the council's  
144 knowledge. The Governor may direct the Treasurer to change any  
145 investments made by the Treasurer when in the judgment of said  
146 council such action is for the best interest of the state. Said council shall,  
147 at the close of the fiscal year, make a complete examination of the

148 security investments of the state and determine, as of June thirtieth, the  
149 value of such investments in the custody of the Treasurer and report  
150 thereon to the Governor, the General Assembly and beneficiaries of trust  
151 funds administered, held or invested by the Treasurer. With the  
152 approval of the Treasurer and the council, [said] such report may be  
153 included in the Treasurer's annual report.

154 (d) The Investment Advisory Council shall be within the office of the  
155 [State] Treasurer for administrative purposes only.

156 (e) For the purposes of this section, "teachers' union" means a  
157 representative organization for certified professional employees, as  
158 defined in section 10-153b, and "state employees' union" means an  
159 organization certified to represent state employees, pursuant to section  
160 5-275.

161 Sec. 3. Section 3-13i of the general statutes is repealed and the  
162 following is substituted in lieu thereof (*Effective from passage*):

163 (a) On and after January 1, 2001, or on and after the first adoption of  
164 an investment policy statement under section 3-13b, as amended by this  
165 act, whichever is later, any contract for services related to the investment  
166 of trust funds, as defined in section 3-13c, shall be subject to the  
167 investment policy statement adopted under section 3-13b, as amended  
168 by this act. [No contract for services related to the investment of such  
169 funds shall be awarded to a provider of such services until the  
170 Treasurer's recommendation of a provider is reviewed by the  
171 Investment Advisory Council. The] If any contract for services related  
172 to the investment of trust funds deviates from such investment policy  
173 statement, the Treasurer shall provide notice of [such] the Treasurer's  
174 recommendation concerning the selection of such provider at a meeting  
175 of the council. Not later than forty-five days after such meeting, the  
176 council may file a written review of the Treasurer's recommendation  
177 [concerning the selection of such provider] with the Office of the  
178 Treasurer where it shall be available for public inspection. The Treasurer  
179 may proceed to award the contract after such forty-five-day period.

180     (b) Commencing with the calendar quarter ending September 30,  
181     2022, and each calendar quarter thereafter, the Treasurer shall submit a  
182     report to the Investment Advisory Council regarding contracts awarded  
183     for services related to the investment of trust funds during each such  
184     calendar quarter. The initial report shall include all such contracts  
185     awarded and in effect on July 1, 2022, and each report shall include the  
186     name of each provider awarded any such contract and the value of such  
187     contract.

This act shall take effect as follows and shall amend the following sections:

Section 1	<i>from passage</i>	3-13a
Sec. 2	<i>from passage</i>	3-13b
Sec. 3	<i>from passage</i>	3-13i

**FIN**           *Joint Favorable*

*The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.*

## **OFA Fiscal Note**

### **State Impact:**

Agency Affected	Fund-Effect
Treasurer	Various - See Below

Note: Various=Various

**Municipal Impact:** None

### **Explanation**

The bill, which authorizes the State Treasurer to set compensation levels for investment officers and other personnel involved with the chief investment officer, has no fiscal impact to appropriated funds.

To the extent future investment personnel are hired at compensation levels different from those currently allowed, various investment funds overseen by the State Treasurer would be subject to potential changes to personnel costs.

### **The Out Years**

The ongoing fiscal impact identified above would continue into the future subject to future hiring decisions.



**OLR Bill Analysis****HB 5405*****AN ACT IMPLEMENTING THE TREASURER'S  
RECOMMENDATIONS CONCERNING THE INVESTMENT  
ADVISORY COUNCIL AND RELATED STATUTES.*****SUMMARY**

This bill makes the following changes concerning the state treasurer and Investment Advisory Council (IAC):

1. expands the investment-related job titles for which the state treasurer, in consultation with the IAC, may set compensation;
2. eliminates a prohibition against the IAC's public members and their business organizations or affiliates contracting with or providing services for the investment of state trust funds while they serve on the council and for one year after, but requires that they recuse themselves from discussions or votes related to these contracts; and
3. eliminates the requirement that the IAC review contracts for investment-related services before the treasurer may award them but authorizes the IAC to review any of these contracts that deviate from the investment policy statement that sets standards for investing state trust funds.

The bill also makes technical and conforming changes.

EFFECTIVE DATE: Upon passage

**INVESTMENT OFFICER AND PERSONNEL SALARIES**

Existing law authorizes the treasurer to set the salary ranges for the chief, deputy, and principal investment officers, in consultation with the IAC. The bill additionally authorizes him to do so for investment officers and other personnel that assist the chief investment officer. In doing so,

it exempts these officers and personnel from the requirement that salaries of executive branch employees not set by law be determined by the administrative services commissioner and approved by the Office of Policy and Management secretary.

By law, unchanged by the bill, the cost of operating the investment department, including personnel costs and professional investment counsel, is paid from state trust funds' income.

### **INVESTMENT-RELATED SERVICE CONTRACTS**

The bill eliminates the requirement that all investment-related service contracts be reviewed by the IAC before the treasurer may award them. However, it (1) requires the treasurer to notify the IAC at a council meeting of his recommendation for a provider for any contract that deviates from the investment policy statement and (2) authorizes the IAC to review the treasurer's recommendation.

Under the bill, the council has 45 days within which it may file a written review of the treasurer's recommendation, after which the treasurer may award the contract. The same notification process and 45-day waiting period applies under current law for the IAC's required review of all investment-related service contracts. As under current law, any written review by the IAC must be available for public inspection.

The bill also requires the treasurer to submit quarterly reports to the IAC on investment-related service contracts awarded each quarter. The first report must cover the quarter ending September 30, 2022, and include contracts awarded and in effect on July 1, 2022. Each report must include the name of the contracted service provider and contract's value.

### **COMMITTEE ACTION**

Finance, Revenue and Bonding Committee

Joint Favorable

Yea 45      Nay 6      (04/05/2022)